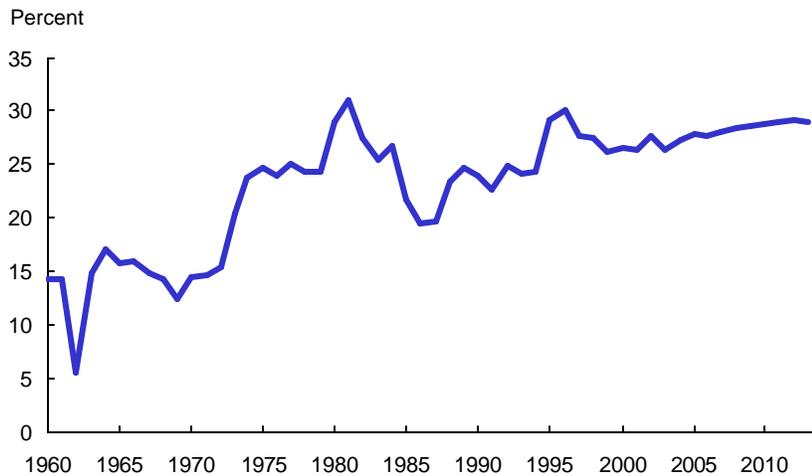


U.S. Agricultural Sector Aggregate Indicators Farm Income, Food Prices, and U.S. Trade Value

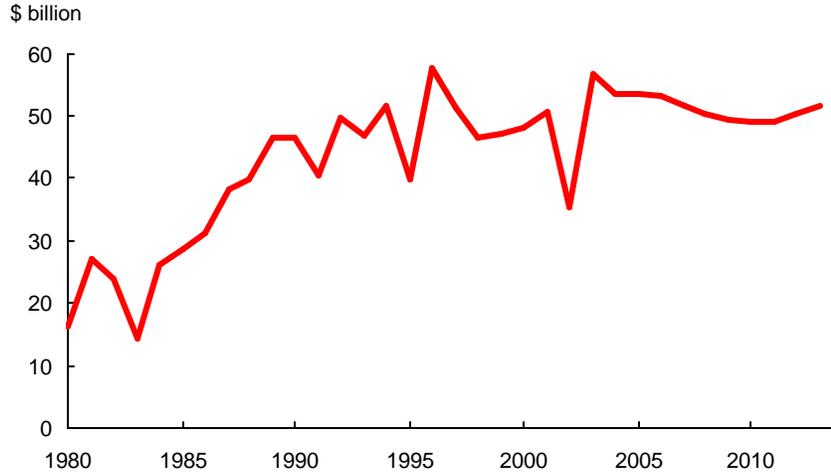
Long-run developments for the U.S. farm sector reflect strengthening domestic and international economic growth, which support gains in consumption, trade, and prices. While export competition is projected to continue, improving world economic growth, particularly in developing countries, provides a foundation for gains in global trade and U.S. agricultural exports. Combined with gains in domestic demand, the results are rising market prices and cash receipts, as well as improvement in the financial condition of the agricultural sector. Consumer food prices are projected to continue a long-term trend of rising more slowly than the general rate of inflation.

U.S. agricultural export value relative to total market cash receipts



Export revenues account for an increasing share of total U.S. farm cash receipts, rising from 26 percent to 29 percent over the projections period. With the productivity of U.S. agriculture growing faster than domestic demand, farmers rely increasingly on export market growth.

Net farm income

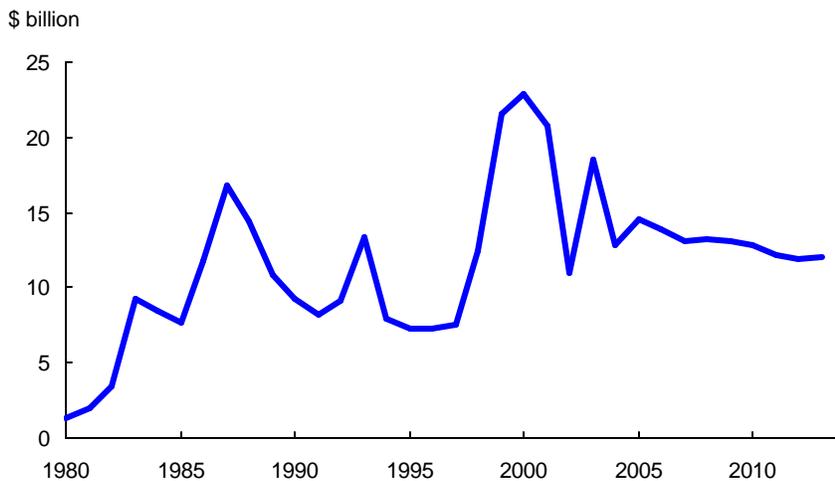


Income projections for the next decade average about \$51 billion, compared to \$47.6 billion in the 1990s.²

- Net farm income falls from high 2003 levels through much of the projections period, reflecting lower government payments and adjustments in the cattle sector, but then increases towards the end of the projections to \$51.5 billion in 2013. Longer run gains reflect strengthening domestic demand and exports.

² Projections were completed prior to the diagnosis of a case of BSE in an adult Holstein cow in Washington State in December 2003.

Direct government payments

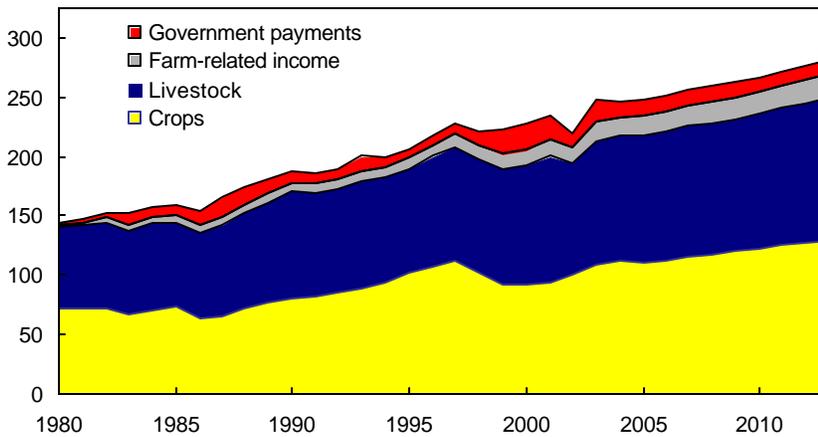


Government payments generally decline through the projections, largely due to rising market prices for program commodities, which reduce marketing loan benefits and counter-cyclical payments.

- Direct government payments are projected to fall from over \$18 billion in 2003 to about \$12 billion in 2011-2013. Toward the end of the projections, direct government payments largely reflect direct and counter-cyclical payments under the 2002 Farm Act, payments for the Conservation Reserve Program, and financial assistance for other conservation programs.

Gross cash income

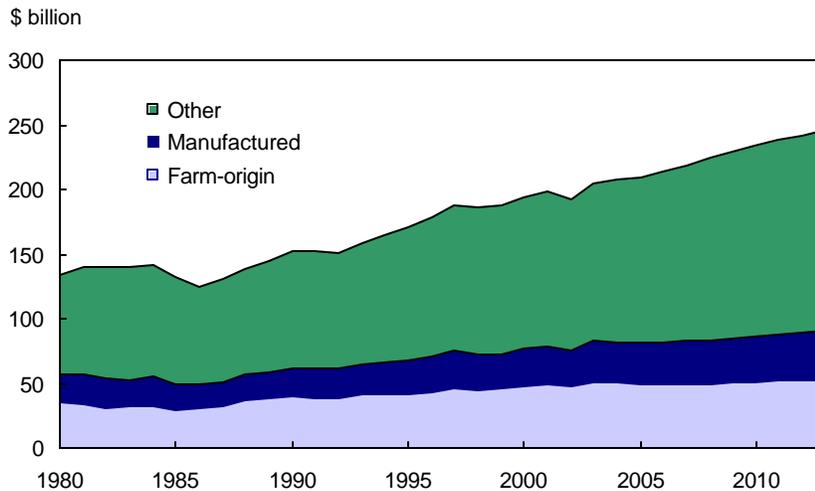
\$ billion



Gross cash income gradually rises through the projections. Cash receipts for both crops and livestock increase.

- Longer run gains in cash receipts and gross cash income reflect strengthening domestic demand and exports, which help to improve financial conditions in the sector.
- The agriculture sector relies on the market for most of its income. The share of income provided by government payments declines through the projections. Government payments, which represented about 10 percent of gross cash income in 2000, account for 4 to 5 percent at the end of the projections.

Farm production expenses

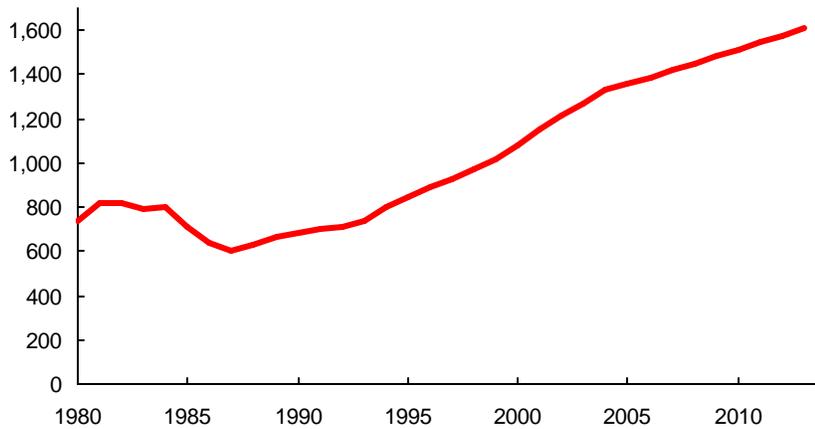


Production expenses increase modestly from 2004 to 2013, at slightly less than the general inflation rate. These expenses are divided into three categories in the accompanying chart: farm-origin (seed, feed, and feeder livestock), manufactured (fuel, fertilizer, pesticides, and electricity), and other (labor, interest, and other expenses).

- The largest percentage increase is for the other expenses category, reflecting increases in labor expenses and interest costs. Labor expenses rise as sector output increases and wage rates rise. Projected increases in interest costs reflect higher interest rates, as well as higher debt facilitated by rising gross cash income.
- Manufactured input expenses increase through the projections as oil prices rise and crop production expands.
- Cash operating margins tighten somewhat, with cash expenses increasing from 75 percent of gross cash income in 2004 to about 78.5 percent at the end of the projections.

Farmland value

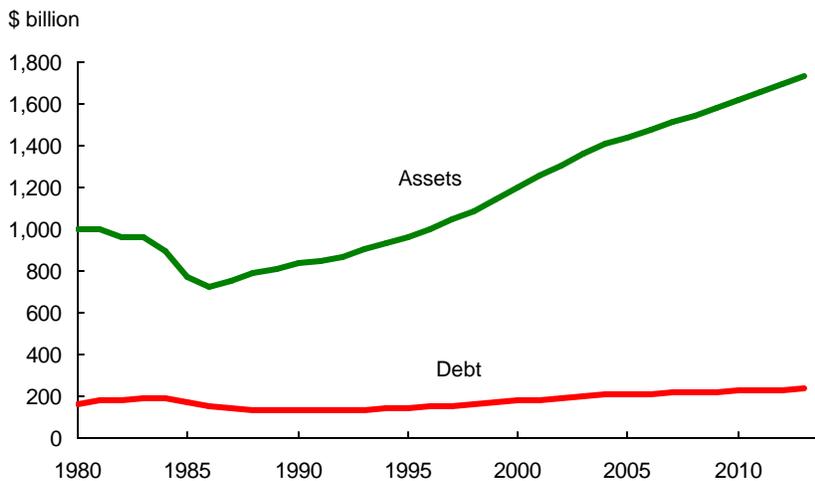
\$ per acre



Strengthening cash receipts and gross cash income through the projections support gains in farmland values. Increasing demand for land use from nonagricultural sources, such as housing and recreation, also affects farmland values.

- There is considerable variation in the growth of farmland prices across the country. This reflects a variety of factors, including differences in land quality and location, demand for urban and recreational development, credit conditions, nonfarm investment opportunities, government farm policies, and production risks and weather uncertainties unique to each region's agriculture.
- As the general economy continues to expand, demand for land for nonagricultural uses contributes to rising farmland values. Continuation of favorable inflation and interest rates will facilitate the conversion of farmland to nonfarm uses.
- Benefiting most from the general economic expansion will be farmland in the path of urban development. Farmland in areas with recreational amenities also will increase in value as second-home market demand remains strong.

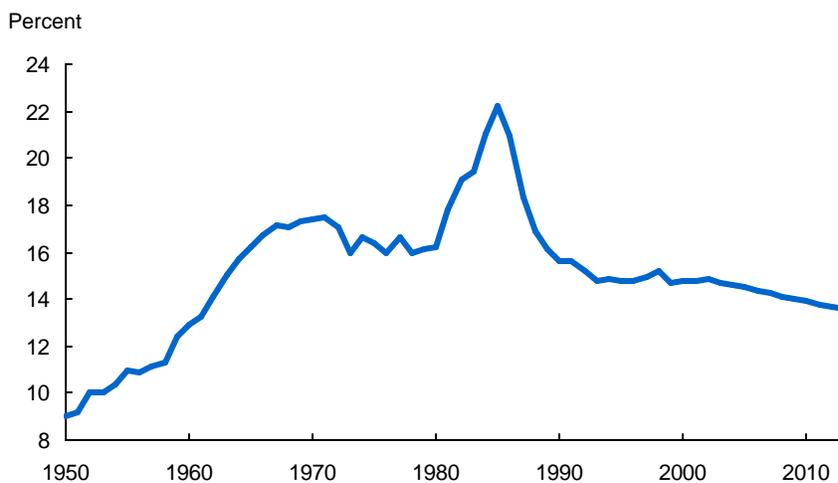
Farm assets and debt



Increasing gross cash income and moderate interest rates assist in asset accumulation and debt management.

- Farm debt moves up less rapidly than asset values in the projections, rising an average of about 1.6 percent a year compared with an increase of 2.4 percent annually for assets.

Debt-to-asset ratios

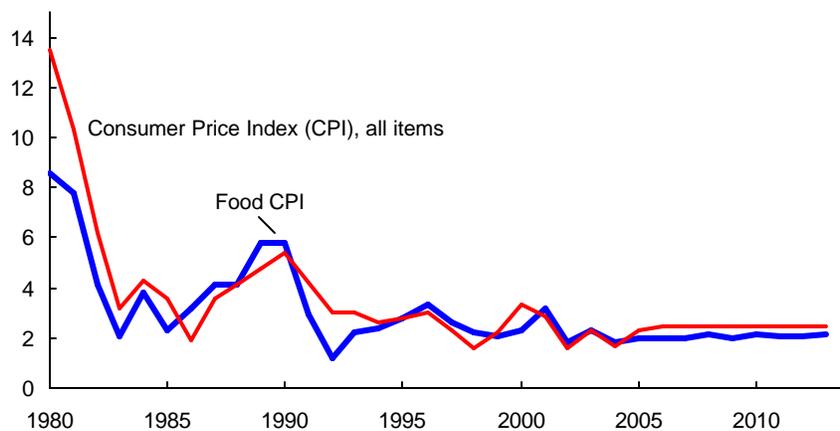


Increasing gross cash income and rising farm equity lead to improved financial conditions in the agricultural sector.

- Debt-to-asset ratios decline slowly through the projections to under 14 percent by 2013, compared with over 20 percent in the mid-1980s.

Food inflation

Percent change

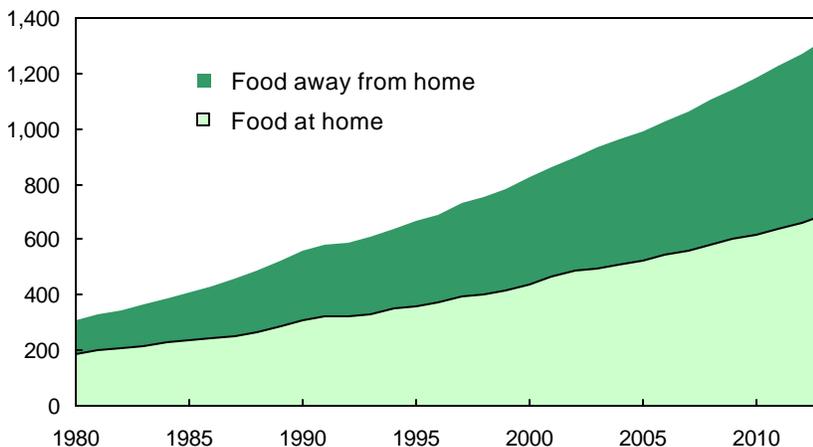


Retail food prices continue a long-term trend of increasing less than the general inflation rate.

- Among foods purchased for consumption at home, projected price increases are generally strongest for more highly processed foods such as cereals and bakery products and fats and oils. For these foods, prices are related more to processing and marketing costs than to farm-level prices and, therefore, rise at a rate near the general inflation rate.

Food expenditures

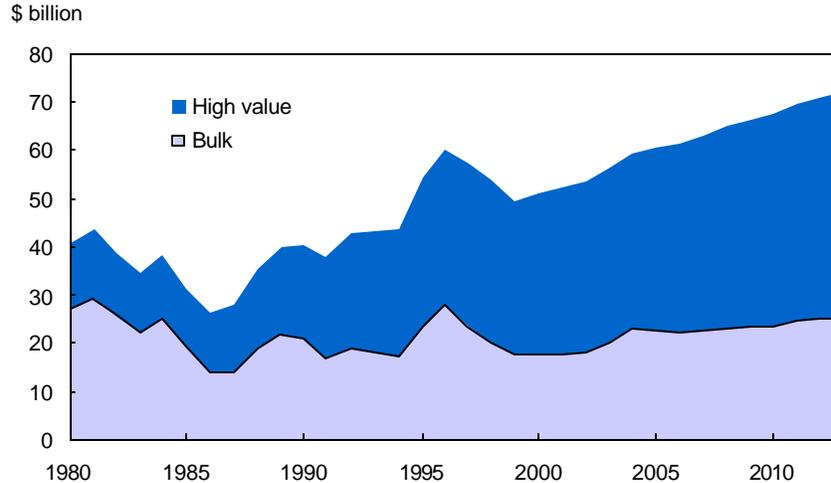
\$ billion



Expenditures for meals prepared away from home account for a growing share of food spending, reaching about 48 percent of total food expenditures by 2013.

- Increases in away-from-home food spending, which contains a large service component, are held down by competition in the fast-food and food-service industries.

U.S. agricultural export value: Bulk and high value 1/



1/ Bulk commodities include wheat, rice, feed grains, soybeans, cotton, and tobacco. High-value products include semi-processed and processed grains and oilseeds, animals and products, horticultural products, and sugar and tropical products.

U.S. agricultural export value is projected to grow an average of 2.6 percent annually from \$56 billion in fiscal year 2003 to \$72 billion in 2013. High-value product (HVP) exports continue to grow, accounting for almost two-thirds of total U.S. exports.

- Strengthening world economic growth, particularly in developing countries, provides a foundation for gains in trade and U.S. agricultural exports. However, competition in global markets remains strong.
- Much of the growth in HVP exports is for horticultural products and animal products.³
- Growth in the value of bulk commodity exports (grains, oilseeds, cotton, and tobacco) reflects expected price increases and gains in volume.
- U.S. agricultural imports rise by about the same amount as exports, reaching \$61 billion in 2013. The agricultural trade surplus is relatively stable in a \$10 to \$12 billion range.

³ The baseline projections in this report were completed prior to the diagnosis of a case of BSE in an adult Holstein cow in the Washington State in December 2003.

Table 29. Farm receipts, expenses, and incomes in nominal dollars

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>Billion dollars</i>												
Cash receipts:												
Crops	99.5	108.1	111.4	110.1	112.2	114.6	117.3	119.7	122.3	125.0	127.0	129.1
Livestock and products	93.5	105.9	107.0	108.4	109.9	111.5	111.8	112.6	114.1	116.3	118.4	120.9
All commodities	192.9	214.0	218.4	218.5	222.0	226.0	229.1	232.3	236.5	241.3	245.4	249.9
Farm-related income	15.4	15.2	15.6	15.9	16.3	16.7	17.2	17.6	18.1	18.5	19.0	19.4
Government payments	11.0	18.5	12.9	14.6	13.9	13.1	13.3	13.1	12.8	12.1	11.9	12.0
Gross cash income	219.4	247.7	246.9	249.0	252.2	255.9	259.5	263.0	267.4	271.9	276.2	281.4
Cash expenses	170.2	182.1	184.3	185.8	190.1	195.3	200.4	204.7	209.2	213.9	217.0	220.6
Net cash income	49.1	65.6	62.5	63.1	62.1	60.5	59.1	58.3	58.2	58.1	59.2	60.7
Value of inventory change	-3.1	1.2	1.3	0.6	1.1	1.2	1.3	1.0	1.0	1.0	1.0	1.0
Non-money income	11.9	12.3	12.3	12.6	12.9	13.2	13.5	13.8	14.1	14.3	14.6	14.8
Gross farm income	228.2	261.1	260.4	262.2	266.2	270.3	274.4	277.8	282.4	287.3	291.8	297.2
Noncash expenses	16.0	15.5	15.7	16.1	16.2	16.4	16.5	16.7	16.9	17.0	17.2	17.4
Operator dwelling expenses	6.5	6.7	6.9	6.9	7.0	7.1	7.2	7.3	7.3	7.4	7.5	7.6
Total production expenses	192.8	204.2	206.9	208.8	213.3	218.8	224.1	228.7	233.4	238.3	241.8	245.7
Net farm income	35.3	56.9	53.5	53.5	52.9	51.5	50.2	49.1	49.0	48.9	50.1	51.5
Farm assets	1,304.0	1,363.5	1,406.9	1,435.7	1,471.5	1,510.2	1,543.9	1,580.5	1,618.4	1,658.3	1,697.2	1,736.0
Farm debt	193.3	200.3	205.4	208.5	211.6	214.9	218.2	221.6	225.1	228.7	232.4	236.1
Farm equity	1,110.6	1,163.2	1,201.5	1,227.2	1,259.8	1,295.4	1,325.7	1,359.0	1,393.3	1,429.6	1,464.8	1,499.9
<i>Percent</i>												
Debt/equity ratio	17.4	17.2	17.1	17.0	16.8	16.6	16.5	16.3	16.2	16.0	15.9	15.7
Debt/assets ratio	14.8	14.7	14.6	14.5	14.4	14.2	14.1	14.0	13.9	13.8	13.7	13.6

Projections were completed prior to the diagnosis of a case of BSE in an adult Holstein cow in Washington State in December 2003.

Table 30. Farm receipts, expenses, and incomes in 1996 dollars

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>Billion 1996 dollars¹</i>												
Cash receipts:												
Crops	89.9	96.3	97.8	95.1	94.7	94.7	94.9	94.7	94.8	94.7	94.1	93.6
Livestock and products	84.4	94.3	93.9	93.6	92.8	92.1	90.5	89.1	88.4	88.1	87.8	87.7
All commodities	174.3	190.6	191.7	188.7	187.5	186.8	185.4	183.8	183.2	182.8	181.9	181.3
Farm-related income	13.9	13.5	13.7	13.7	13.8	13.8	13.9	13.9	14.0	14.0	14.1	14.1
Government payments	9.9	16.5	11.3	12.6	11.7	10.8	10.7	10.4	9.9	9.2	8.8	8.7
Gross cash income	198.1	220.6	216.7	215.0	213.0	211.5	210.0	208.1	207.1	206.0	204.8	204.0
Cash expenses	153.8	162.2	161.8	160.5	160.6	161.4	162.1	162.0	162.0	162.0	160.9	160.0
Net cash income	44.4	58.4	54.9	54.5	52.5	50.0	47.9	46.1	45.1	44.0	43.9	44.0
Value of inventory change	-2.8	1.0	1.1	0.6	0.9	1.0	1.1	0.8	0.8	0.8	0.7	0.7
Non-money income	10.7	10.9	10.8	10.9	10.9	10.9	10.9	10.9	10.9	10.8	10.8	10.7
Gross farm income	206.1	232.5	228.6	226.5	224.8	223.4	222.0	219.8	218.8	217.6	216.3	215.5
Noncash expenses	14.5	13.8	13.8	13.9	13.7	13.5	13.4	13.2	13.1	12.9	12.8	12.6
Operator dwelling expenses	5.9	5.9	6.0	6.0	5.9	5.9	5.8	5.7	5.7	5.6	5.6	5.5
Total production expenses	174.2	181.8	181.7	180.3	180.2	180.8	181.3	180.9	180.8	180.6	179.2	178.1
Net farm income	31.9	50.7	46.9	46.2	44.7	42.6	40.7	38.9	38.0	37.1	37.1	37.4
Farm assets	1,177.9	1,214.1	1,235.2	1,239.8	1,242.8	1,248.1	1,249.1	1,250.4	1,253.6	1,256.3	1,258.1	1,258.9
Farm debt	174.6	178.3	180.3	180.0	178.7	177.6	176.5	175.3	174.4	173.3	172.2	171.2
Farm equity	1,003.3	1,035.8	1,054.9	1,059.8	1,064.1	1,070.6	1,072.6	1,075.1	1,079.2	1,083.1	1,085.8	1,087.7

^{1/} Nominal dollar values divided by the GDP chain-type price index.

Table 31. Consumer food price indexes and food expenditures baseline

CPI category	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Consumer price indexes: 1982-84=100													
All food	173.1	176.2	180.3	183.6	187.2	190.9	194.7	198.8	202.8	207.1	211.3	215.7	220.3
Food away from home	173.9	178.3	182.0	184.5	187.9	191.7	195.5	199.4	203.4	207.5	211.6	215.8	220.1
Food at home	173.4	175.6	180.0	183.7	187.5	191.1	194.9	199.1	203.2	207.6	212.0	216.5	221.3
Meats	159.3	160.3	169.9	171.5	173.9	175.8	176.9	178.8	180.6	182.9	185.6	188.3	191.2
Beef and veal	160.5	160.6	175.0	178.0	182.0	183.5	183.7	185.4	186.9	189.0	191.7	194.4	197.4
Pork	162.4	161.8	164.8	166.2	166.1	168.2	170.0	171.7	173.7	176.0	178.5	181.1	183.7
Other meats	156.4	161.9	165.5	166.0	167.9	170.5	173.0	175.5	178.1	180.8	183.7	186.6	189.5
Poultry	164.9	167.0	168.7	174.0	175.3	177.6	180.1	181.4	182.6	183.6	185.4	186.6	187.7
Fish and seafood	191.1	188.1	189.8	194.5	199.4	204.4	209.5	214.7	220.1	225.6	231.2	237.0	242.9
Eggs	136.4	138.2	155.1	155.0	149.6	141.2	140.6	147.3	152.1	156.9	161.8	166.5	171.4
Dairy products	167.1	168.1	168.1	174.7	179.9	183.8	188.8	193.6	198.1	202.8	207.6	212.4	217.9
Fats and oils	155.7	155.4	157.5	161.3	165.3	169.3	173.6	177.9	182.3	186.8	191.4	196.0	201.0
Fruits and vegetables	212.2	220.9	225.0	231.0	238.0	244.0	250.0	257.0	263.0	270.0	276.0	283.0	290.0
Sugar and sweets	155.7	159.0	162.0	162.2	164.2	167.5	171.5	173.8	177.3	180.7	184.2	187.5	190.9
Cereals and bakery products	193.8	198.0	202.7	205.0	208.2	212.6	217.4	222.6	228.1	233.7	239.4	245.2	251.2
Nonalcoholic beverages	139.2	139.2	139.7	142.6	145.6	148.7	151.8	155.0	158.3	161.6	165.0	168.5	172.0
Other foods	176.0	177.1	179.1	181.9	185.9	190.4	195.0	199.7	204.5	209.4	214.4	219.5	224.8
Food expenditures: Billion dollars													
All food	861.7	900.2	930.0	959.4	990.1	1,027.1	1,063.7	1,102.4	1,142.4	1,183.9	1,227.1	1,271.4	1,322.5
Food at home	463.6	485.2	498.1	513.0	526.5	544.9	562.3	580.9	600.0	619.8	640.5	661.4	688.2
Food away from home	398.1	415.0	431.9	446.4	463.6	482.2	501.4	521.5	542.4	564.1	586.6	610.0	634.3

Table 32. Changes in consumer food prices, baseline

CPI category	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>Percent</i>													
All food	3.2	1.8	2.3	1.8	2.0	2.0	2.0	2.1	2.0	2.1	2.0	2.1	2.1
Food away from home	2.9	2.5	2.1	1.4	1.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Food at home	3.2	1.3	2.5	2.1	2.1	1.9	2.0	2.2	2.1	2.2	2.1	2.1	2.2
Meats	5.6	0.6	6.0	0.9	1.4	1.1	0.6	1.1	1.0	1.3	1.5	1.5	1.5
Beef and veal	8.4	0.1	9.0	1.7	2.2	0.8	0.1	0.9	0.8	1.1	1.4	1.4	1.5
Pork	3.4	-0.4	1.9	0.8	-0.1	1.3	1.1	1.0	1.2	1.3	1.4	1.5	1.4
Other meats	2.9	3.5	2.2	0.3	1.1	1.5	1.5	1.4	1.5	1.5	1.6	1.6	1.6
Poultry	3.2	1.3	1.0	3.1	0.7	1.3	1.4	0.7	0.7	0.5	1.0	0.6	0.6
Fish and seafood	0.4	-1.6	0.9	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Eggs	3.4	1.3	12.2	-0.1	-3.5	-5.6	-0.4	4.8	3.3	3.2	3.1	2.9	2.9
Dairy products	4.0	0.6	0.0	3.9	3.0	2.2	2.7	2.5	2.3	2.4	2.4	2.3	2.6
Fats and oils	5.6	-0.2	1.4	2.4	2.5	2.4	2.5	2.5	2.5	2.5	2.5	2.4	2.6
Fruits and vegetables	3.7	4.1	1.9	2.7	3.0	2.5	2.5	2.8	2.3	2.7	2.2	2.5	2.5
Sugar and sweets	1.1	2.1	1.9	0.1	1.2	2.0	2.4	1.3	2.0	1.9	1.9	1.8	1.8
Cereals and bakery products	2.9	2.2	2.4	1.1	1.6	2.1	2.3	2.4	2.5	2.5	2.4	2.4	2.4
Nonalcoholic beverages	1.0	0.0	0.4	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Other foods	2.2	0.6	1.1	1.6	2.2	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4

Table 33. Summary of U.S. agricultural trade projections, fiscal years

	2001	2002	2003	2004 1/	2005	2006	2007	2008	2009	2010	2011	2012	2013	2003-2013 growth rate
	<i>Billion dollars</i>													<i>Percent</i>
Agricultural exports:														
Animals and products	12.4	11.9	12.2	12.7	13.4	13.7	14.0	14.3	14.6	15.0	15.3	15.7	16.0	2.8
Grains, feeds, and products	13.9	14.2	14.9	15.3	15.6	15.6	16.5	17.2	17.9	18.5	19.2	19.7	20.1	3.0
Oilseeds and products	8.8	9.8	10.2	10.6	10.6	10.5	10.5	10.6	10.8	10.8	11.1	11.2	11.1	0.9
Horticultural products	11.1	11.1	11.9	12.3	12.6	13.0	13.3	13.7	14.0	14.4	14.8	15.1	15.5	2.7
Tobacco, unmanufactured	1.2	1.1	1.0	1.1	0.9	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	-3.7
Cotton and linters	2.1	2.1	2.7	4.3	4.2	4.0	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.6
Other exports	3.3	3.2	3.3	3.2	3.7	3.8	3.9	4.0	4.1	4.3	4.4	4.5	4.6	3.5
Total agricultural exports	52.7	53.3	56.2	59.5	60.9	61.4	63.2	64.8	66.4	67.9	69.7	71.2	72.4	2.6
Bulk commodities exports	17.6	18.2	20.3	23.0	22.4	22.2	22.6	23.1	23.7	24.0	24.6	25.1	25.2	2.2
High-value product exports	35.1	35.1	35.9	36.5	38.5	39.2	40.6	41.7	42.7	43.9	45.0	46.1	47.2	2.8
High-value product share	66.6%	65.8%	63.9%	61.3%	63.2%	63.9%	64.3%	64.3%	64.3%	64.7%	64.6%	64.8%	65.2%	
Agricultural imports:														
Animals and products	9.0	9.1	8.6	8.5	8.7	8.9	8.9	8.8	8.9	9.0	9.1	9.3	9.4	0.9
Grains, feeds, and products	3.2	3.6	3.9	4.3	4.4	4.5	4.7	4.9	5.1	5.3	5.5	5.7	5.9	4.2
Oilseeds and products	1.7	1.7	2.0	2.1	2.2	2.3	2.3	2.4	2.5	2.6	2.6	2.7	2.8	3.4
Horticultural products	16.4	17.5	20.2	21.8	22.5	23.1	23.8	24.5	25.3	26.0	26.8	27.6	28.4	3.5
Tobacco, unmanufactured	0.6	0.7	0.7	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	1.0
Sugar and related products	1.6	1.7	2.1	2.3	2.5	2.5	2.5	3.0	3.0	3.0	3.1	3.2	3.3	4.6
Coffee, cocoa, and rubber	3.8	4.0	5.2	5.6	5.8	5.9	6.0	6.1	6.3	6.4	6.5	6.7	6.8	2.6
Other imports	2.6	2.6	2.9	3.1	3.2	3.3	3.4	3.5	3.5	3.6	3.7	3.8	3.9	2.9
Total agricultural imports	39.0	41.0	45.7	48.5	50.0	51.2	52.3	54.0	55.2	56.7	58.1	59.7	61.2	3.0
Net agricultural trade balance	13.7	12.3	10.5	11.0	11.0	10.2	10.9	10.9	11.2	11.2	11.6	11.5	11.2	0.6
	<i>Million metric tons</i>													
Agricultural exports (volume):														
Bulk commodity exports	111.9	113.9	106.4	111.6	120.9	123.1	125.1	127.7	131.3	133.5	136.0	138.6	140.9	2.8

1/ The projections were completed in November 2003 based on policy decisions and other information known at that time. For updates of the nearby year forecasts, see USDA's *Outlook for U.S. Agricultural Trade* report, published in February, May, August, and December.

Notes: Other exports consists of seeds, sugar and tropical products, and beverages and preparations. Essential oils, fruit juices, wine, and beer are included in horticultural products. Bulk commodities include wheat, rice, feed grains, soybeans, cotton, and tobacco. High-value product (HVP) values are calculated as total exports less the bulk commodities. HVP's includes semi-processed and processed grains and oilseeds, animals and products, horticultural products, and sugar and tropical products. Other imports include seeds, beverages except beer and wine, and miscellaneous commodities.